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FOREIGN SERVICE DESPATCH

FROM : American Embassy, Tripoli — 296 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON March 1, 1956 DATE

REF : Embtels 368, 370, 381, 400, 410, 414, 430, 434; TOICA A-364, Feb. 6, 1956; TOICA 260, Feb. 27, 1956.

For Dept. Use Only	ACTION	DEPT.	IN FO	OTHER
	NEA-4 REC'D 3/13	RM/R-2 REP-2 OLI-6 L-2 EUR-5 IO-4 L-2		CIA-5 COM-10 XMB-3 FRB-2

SUBJECT: Libyan Economic Development Requirements

The dissatisfaction of the Libyan Government with the nature and extent of United States economic assistance to Libya culminated in the Libyan Prime Minister's rejection of the U. S. offer of $3 million additional aid for 1955/56 (Embtel 368) and in the attack on the Libyan-American Reconstruction Commission (LARC) reported in Embtel 370 and TOICA A-364. As one result of these developments, there was established at the suggestion of Ambassador Tappin (Enclosures Nos. 1 and 2) a "working group" of Libyan Government, United Nations, and U. S. Embassy/USOM officials which was charged with the compilation of a balance sheet showing essential Libyan economic development requirements and the resources, financial and other, available to meet these requirements. Such a balance sheet, if honestly and carefully prepared, would have been extremely useful to the Libyan Government in providing a factual basis for its discussions of its needs with friendly countries, even though the magnitude of the needs might have been such that they could not be met in their entirety.

The Libyan Government, however, approached this exercise primarily as an opportunity for adding substantially to its expressed list of desired development projects, without any very close appraisal of the economic desirability or feasibility of particular projects, with no real examination of the program as a whole, of its effect upon the productive capacity of the country, of the ability of the economy to absorb it at the projected rate, or of the recurrent maintenance charges it would impose upon the government. It must be said that the principal Libyan Government officials, perhaps primed by some of their foreign advisers, seem to be well aware that there is no telling when, for either political or technical reasons, the United States and Great Britain, Libya's principal sources of economic aid, will no longer need Libya for military purposes and will no longer be as interested as they are at present in maintaining a close (and costly) relationship with it. The Libyans appear to be convinced that they must get as much as possible as fast as possible, before the sources dry up. In this light, the list of projects they presented to the working group was a relatively modest one.

The working group, composed as suggested in the Prime Minister's letter (Enclosure No. 2), first met on Tuesday, February 7. Dr. Aneizi, as chairman, opened the meeting with a prepared statement (Enclosure No. 3), after the Memorandum and tables (Enclosure No. 4) had been distributed to the members of the group. The meat of the introductory statement is in the reminder that

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"in order to achieve financial viability an ultimate investment of about double that amount (shown in the Memorandum) must be envisaged," and in the last paragraph, in which the threat of turning to the Soviet Union is again presented. Although the drafter of the statement (reported to be Mr. C. J. Pyke, British banking adviser to the Libyan Government) may not quite have realized the implications of his phraseology, it appears that Libya's Western friends are being notified that while Libya would like to preserve the freedom and dignity of the individual, economic considerations come first, and the measure of these considerations is the "promises which can be made by other ideologies."

The Memorandum and tables presented to the group by the Libyan members (Enclosure No. 4) were reportedly put together by a Libyan Government group headed by Pitt Hardacre and Pyke in a day and a night. The proposals display a number of evidences of the haste with which they were assembled, and some of the supporting arguments are of the same character as those advanced on numerous occasions in LARC meetings. No real evidence exists either to prove or disprove these arguments, and their consideration is consequently reduced to a basis of acceptance or rejection on a political level.

In the first paragraph of the Memorandum, the phrase "within the period of time available to the country" and in the first paragraph on page 3, the sentence beginning "It is the opinion of the Libyan Government ...," reflect the Libyan concern mentioned previously in this despatch that the United States and Great Britain may in the not too distant future lose interest in Libya, and Libya's case for grant aid will be markedly diminished or will perhaps vanish entirely.

One of the evidences of hasty preparation of the program is apparent in the presentation of projects under the headings Agriculture, Forestry, and Fisheries, Wells and Water Development, Education, and Health. These lists of projects are identical with those originally presented to LARC in the $65 million program (Enclosure No. 2, Despatch No. 334 of May 17, 1955) with no adjustments to make them correspond with changes made by LARC or to allow for the fact that the Libyan fiscal year 1955/56 is almost over, and the full original program could not possibly be carried out in that time. Other evidences of hasty preparation include the lack of year-by-year phasing of the Public Works and Communications projects, and the inclusion of several highly dubious projects which might have been expected to prejudice the Libyan case.

It became apparent during the meetings of the group that this excessive haste was primarily engendered by the Libyan Government's hope that Ambassador Tappin could be persuaded to take the resulting program to Washington on his trip scheduled for February 13th, or that the program would, therefore, at least arrive in Washington in time for consideration during his stay there and also during the course of US-UK-French discussions on the Middle East, which the Libyans believed would be concerned with increased economic aid for that area.

The working group's first meeting was devoted entirely to a discussion of

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the group's terms of reference, in which the U. S. members attempted to establish a valid procedure which would result in at least a reasonably, if not entirely, accurate description of the essentiality of any proposed development projects in terms of cost-benefit ratios, the relationship of projects to each other and to the program as a whole, the probable results in increased production, the probable results in both increased revenue and increased maintenance charges to the government, the inflationary possibilities inherent in particular magnitudes of public investment in Libya, and the absorptive capacity of the Libyan economy in terms of manpower, supervisory personnel, and administrative machinery. While it must be said for the Libyan Government that it probably has no one who has either the time or the capability for conducting such an investigation, it was apparent also that the Government had no intention of letting any one else do it for them, in part because of the length of time such an inquiry would take, in part because of their resentment of attempts to question their judgment of what they need, and in part because the results might prove their program too ambitious for the projected period of time, and their case for getting as much aid as possible before the sources vanish would be substantially weakened. In any event the attempt to institute a procedure which would produce the sort of balance sheet desired by the U. S. members was unsuccessful. The Libyan members insisted upon proceeding solely on the basis of the Memorandum and tables they had submitted. They proposed to go through it item by item so as to arrive at an agreed list. The disadvantages of such a procedure were obvious, but in order to avoid a complete impasse the U. S. members agreed to examine the lists. The principal United Nations member of the working group (Mr. Harry L. Spence) made clear the nature of his agency's participation in the exercise (Enclosure No. 5).

During the course of the examination of the project lists, it was established almost immediately that it would be unrealistic to proceed on the basis of a five-year program, the first year of which was almost over (the years used in the tables are Libyan fiscal years, April 1 through March 31). It was agreed that the first column should represent the two years 1955/[illegible] thus including all 1955/56 LARC allocations along with a program for the fiscal year 1956/57. The subsequent years of the program were advanced one year each, which resulted in a six-year program continuing through 1960/61.

In subsequent discussion it was agreed that the agriculture and water development programs were somewhat overambitious and the small size of the education and health programs created a substantial imbalance in the whole program. The net result of changes in the above four headings increased the total requirement for these four programs from £L13,696,600 to £L14,970,500. The public works sector, however, was reduced from £L12,050,000 to £L9,450,000, as a result of strong protests from the U. S. members over some of the projects contained in it. It is possibly indicative of the frame of mind in which the Libyan members originally approached this working group exercise that the Fezzan Road proposal was put in at the figure first used before LARC got under way, at which time the Libyan Government had in mind a black-topped road. Mr. Pitt Hardacre and Mr. Pyke were well aware that even the Libyan Government's principal engineering officials or advisers (in particular, Sir Arthur Dean)

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would not support a recommendation for a black-topped road to the Fezzan, but they had hoped to discuss the proposals put before the working group on a purely political basis, not a technical one. When technical considerations were insisted upon by the U. S. members, the Libyan members retreated, at least to the extent of postponing the black-topping to some future date and not including it in the present program. Also, in the interval between the third and fourth meetings of the group, the Libyan attitude had moderated somewhat from its original intransigence, perhaps as a result of Ambassador Tappin's conversation with the King (Embtel 414). In any event the Libyan members accepted the proposed cuts in the Public Works sector with little or no protest. They also accepted most of the proposed phasing or changes in phasing of projects as shown in the final version of the program (Enclosure No. 6). The phasing of projects was apparently not of too much importance to the Libyan members because of the method adopted in summarizing the program (fourth and fifth pages of the Memorandum, Enclosure No. 6). This method would, if concurred in, insure that the Libyan Government would always be collecting annual contributions substantially in advance of the annual need. Instead of deducting the available LARC funds as received or to be received ($16 million in 1955/57 and $4 million per year through 1960/61), the amount deducted in 1955/57 is only $5.6 million and the remainder is prorated evenly over the last four years. The actual requirement in 1955/57 (paragraph (d) of the summary computation), if the power plant loan were excluded, would be £L3,806,000 ($10,657,000) instead of the £L7,520,000 ($21,056,000) shown. (£L9,520,000 plus £L2,000,000 already paid by LARC for bank capitalization and power plant purchase less £L2,000,000 for power plant loan less £L5,714,000 ($16 million) LARC funds).

Although the Libyan Government claims to have a background of technical investigations and determinations for all of the individual projects contained in the program, some of the project cost estimates are little more than guesses, and some projects are of dubious necessity (See attempted justifications for additional capital for the banks, Enclosures No. 7 and 8). In addition it is at least questionable whether the supervisory and administrative machinery of the Libyan Government is adequate for the implementation of the total program in the period contemplated. However, since at least half of the projects are financial contributions or contract jobs, it is possible that it could be accomplished. Mr. Pitt Hardacre claimed at one point that 60% of the cost of the program would go for offshore procurement, although he offered no details to substantiate his statement.

The working group's sessions ended on Thursday, February 16, and the final Memorandum and tables were forwarded to the Prime Minister under cover of a letter from Dr. Aneizi (Enclosure No. 9). This letter was drafted by Mr. Pyke at the final meeting of the working group and, as first drafted, contained as a recommendation of the group the last substantive paragraph concerning the utilization of a single operating agency for all construction projects. Inasmuch as it was obvious that the agency meant was LPDSA and that this was an attempt to confirm the principle of "no strings attached," the U. S. members objected to its inclusion on the basis that such a recommendation was not part of the group's terms of reference. Dr. Aneizi then insisted upon including the paragraph as a personal observation of his own. In other respects the

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letter of transmittal reflects reasonably well the position of the U. S. members that (1) while the program represents the probable magnitude of Libyan development needs, the individual projects within it are subject to modification (including elimination) on the basis of further investigation and experience, and (2) that there are a number of possible sources of funds to implement the program. The working group was reminded repeatedly that concurrence of the U. S. members in the submission of the report implied no commitment on the part of the U. S. Government to finance all or any part of the program.

On February 18, copies of the report were delivered to the Embassy by the Permanent Under Secretary for Foreign Affairs with a covering letter from the Prime Minister (Enclosure No. 10) requesting that they be transmitted urgently to Washington. According to the Prime Minister's letter, the working group had no reservations whasoever about this development program, which is hardly in accordance with the facts or with the group's letter of transmittal to the Prime Minister. In addition, the absence of "frills or luxuries" in the program is not entirely proved, although it is true that the Libyan Government could have introduced a number of additional projects of less utility.

The Charge d'Affaires of the Embassy, in receiving the report from the Foreign Office official, asked him to convey to the Prime Minister that (1) although the U. S. participants in the working group had expressed the view that the magnitude of the program was apparently reasonable in the light of Libya's needs and absorptive capacity, the individual projects within the program could not be considered finally determined at this time; (2) the total resources available to Libya for economic development must include the Italian and French contributions under recently signed agreements with those countries, thus raising the figure of $46.4 million of available financial resources to $60.1 million; (3) the submission of the program to Washington in no way committed the U. S. Government to financing the remaining shortfall in whole or in part; and (4) the objective of this working group exercise should be restricted to providing Libya's Western friends (i.e., U.S., U.K., France, Italy, and Turkey) with some idea of her economic development needs.

By the elimination of some doubtful or unnecessary projects or contributions and by the introduction of some financial resources not mentioned in the Libyan presentation (Italian and French treaty contributions, rephasing the U. S. special fund contributions, and using surplus commodities as part payment), the U. S. Development Assistance requirement could be reduced to an average of somewhat under $4 million per year (Enclosure No. 11). Although perhaps financially feasible, such a reduction would probably not be politically acceptable, i.e., an attempt to proceed on that basis would arouse a reaction that would make impossible the realization of the political atmosphere and political commitments desired by the U. S. Government. If, however, a definite commitment could be given to the Libyan Government that a certain total sum would be made available over the six-year period it is believed that the GOL would be satisfied with an annual average of $5 million to $6 million per year. If no long-term commitment can be given, it is highly doubtful that even a much higher figure for the first year, with only a promise of "sympathetic consideration" in the future, would be sufficient to achieve the desired ends (i.e., restriction of Soviet Embassy

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activities and a firm refusal of Soviet technical and economic aid).

The Embassy therefore recommends that urgent consideration be given to possible methods of giving the Libyan Government a commitment which will enable it to enter upon a planned six-year program, whether or not the final program turns out to be identical with the one now proposed. The commitment could perhaps (with the concurrence of Congressional committees) be expressed as a first charge upon ICA's annual appropriations for the Middle Eastern area, or if possible the entire sum could be obligated from U. S. fiscal year 1956 or 1957 funds, to be drawn upon as fast as the Libyan economy and the Libyan governmental structure can absorb it, assuming that proper safeguards can be set up to insure proper and useful expenditure of the funds.

The Director of USOM/L is submitting a separate airgram report on the working group exercise but has read this despatch and fully concurs.

David G. Nes
Charge d'Affairs ad interim

cc: Benghazi

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American Embassy,
Tripoli, February 2, 1956.

My dear Mr. Prime Minister:

Our frank and stimulating conversation of last Saturday afternoon has upon reflection impressed upon me more than ever the potential advantages of a thorough appraisal of Libya's exact requirements in the field of economic development. Such an appraisal would serve the purpose of establishing the extent to which Libya's essential developmental requirements in terms of her absorptive capacity are in fact being met from current financial resources. If it should be found that these requirements are being met, you would then have a factual basis for refuting the criticisms advanced by some of your colleagues and compatriots who claim you have failed to secure from Libya's friends and allies satisfaction of her needs. If it were found that these requirements are not being met, your request for U. S. reconsideration of Libya's demonstrable needs would be very substantially strengthened.

I therefore suggest that this question be studied urgently by a committee headed by your Finance Minister and including representatives of the Libyan governmental departments most closely concerned with economic development, as well as by representatives of those agencies, national and international, which are engaged in assisting your Government toward this end. If such a committee were directed by you to make a rapid but concise survey of the pertinent records of and plans for developmental activities, in order to compare them with the financial and other resources available to carry them to completion, I believe that we would thus be able to establish a really firm basis for discussion of Libyan requirements. I might add that the above procedure has been a customary prelude to the furnishing of economic assistance by the United States Government under other programs of assistance to friendly nations.

I am certain that both your Government and mine wish to do everything possible to maintain the friendly and cooperative relations that have always existed between our two countries. To this end, a thorough examination of the nature and extent of differences which arise seems to me to be the wisest policy. Such differences are normal and subject to reconciliation between friends on the basis of factual discussion.

If you approve my suggestion in this letter, I would appreciate an opportunity at your Excellency's earliest convenience to chat with you briefly and informally, in order that we may apply joint efforts to getting this survey started immediately and to assuring that it does not get "bogged down" in detailed and prolonged debate.

With kindest personal regards,

Sincerely yours,

(Signed by John L. Tappin)

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UNITED KINGDOM OF LIBYA
OFFICE OF THE PRIME MINISTER

6th February, 1956.

My dear Mr. Ambassador,

In reply to your letter of 2nd February, I should like to thank you for the most helpful suggestion that a thorough appraisal should be made of Libya's exact requirements in the field of economic development. I am in complete agreement that such a survey should be made.

I suggest therefore that a committee, international in character and composed of financial and economic experts, should meet at once in order to draw up proposals in this regard. On the Government side I have nominated Dr. Aneizi, as leader, together with Mr. Shaglouf, Dr. Jazairy, Mr. Pyke and Mr. Pitt Hardacre; and I propose that, with your agreement, the composition of this committee should be completed by Mr. Gordon, Mr. Harry L. Spence, Mr. Caustin and Mr. Lundy.

If this proposal is acceptable, I suggest that a meeting be held at 10 a.m. tomorrow, February 7th, in the Federal Government Conference Room.

Very sincerely yours,

/S/ Ben Halim

(MUSTAPHA BEN HALIM)
Prime Minister

The Honourable John L. Tappin,
Ambassador of the United States
of America in Libya,
Tripoli.

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INTRODUCTORY STATEMENT BY Dr. ANEIZI

The paper which has been presented to the meeting states the broad general principles and considerations which have formed the background of the proposals. But I would like to say a few brief words in introducing the paper.

Firstly, Libya was born of an enlightened resolution of the U.N., but she was born poor. But having promoted and assisted at the nativity, the U.N. did not take measures necessary to ensure survival - no silver spoon in her mouth - and the country was left to its own devices in the practical sphere. Nevertheless the U.N. did provide advice - to wit the Lindberg Report and the Higgins Review. It is the analysis of these surveys from which the programme presented has emerged.

As a result of the successive refining of these surveys the present plan is presented which in the view of the Government and its advisers is a realistic and practicable 5 year economic development plan.

Secondly, it is by general consent that Agriculture is at present and must continue to be, unless some profitable natural resource such as petroleum should be discovered, the main pillar of the Libyan economy. In these circumstances the emphasis in the plan is on agriculture and the associated activities of animal husbandry and afforestation.

As regards agriculture the programme envisages the steps which are necessary to stimulate, expand and develop it, including ancillary activities such as the improvement of animal husbandry. The first essential is the provision of water. Hence the proposals to extend the availability of electric power for lifting water from the sub-soil and the utilization by means of dams, diversion and wells, of precipitated water. Then the arrangements for the infusion of defective capital resources (Agricultural Bank) for the provision of equipment and supplies; then the propagation of technical skills through the extension services and finally the promotion and maintenance of work capacity through the health services.

Then again, the provision of the basic facilities required for the secondary processes of the primary products of agriculture and animal husbandry - 'power' with a capital 'P' so as to provide for e.g., the processing, i.e., carding, spinning and possibly weaving or felting of wool, curing and tanning of goat skins for glove manufacture, tanning of hides for leather, refining of olive oil, pressing castor beans; production of ground nut oil, and from the residues; the production of cattle cake. In general, the proposals are inter-related within this scope. It cannot however be assumed that if this programme is carried out in full within the prescribed period our objective will have been attained. An investment of the magnitude of the proposals might reasonably be expected to augment domestic revenues by about 20% net, but in order to achieve financial viability an ultimate investment of about double that amount must be envisaged. However, practicabilities must be borne in mind, and the plan has been orientated to that which Government regarded as achievable.

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Finally, tradition must be orientated to modernity. In the days of Turkish suzerainty, it was possible for Libya to live in its traditional Arab ways. But that was in the day of limited international communications and intercourses. Then Libya could live in its traditional style as an island of tradition and conservatism, off the beaten track of world routes. Now the position is wholly different. Libya lies on international routes of communications and is moreover, caught in the pincers of differing worlds. Just as nature abhors a vacuum, so international politics abhor a vacuum and if unfilled by one, it will be filled by the other. Libya wishes to live in a situation where freedom and the dignity of the individual are not invaded. But it can only do so, if the lot of its people is, and is overtly seen to be, not less than that of the promises which can be made by other ideologies. For this purpose the standard of living of its people must be raised to a point at which each and everyone feels that he has a stake in the maintenance of the status quo. This can only be done by a comprehensive and integrated plan of economic development. The Government of Libya feels that the plan put before you is the first step in such a plan; and it invites your comments.

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MEMORANDUM for the International Committee convened to consider the question of aid to Libya for the purpose of economic development

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The starting point of any constructive thinking on what is essential and possible for Libya in the sphere of development, is a clear recognition of its limited natural resources; the objective at which economic development is directed; the tempo at which such development must proceed in order to ensure financial and economic viability within the period of time available to the country and the tempo of development which is practicable having regard to local conditions, in particular man-power. These factors have each been given due weight in the drawing up of the five year programme which forms the gravamen of the proposals detailed below.

In the first place the preponderating need in a country such as Libya is to ensure an adequate supply of food for the people of the country - indeed the Constitution of Libya places upon the Government a specific mandatory duty "the ensuring to the country of essential foodstuffs" (Article 36(35)). The country is afflicted by successive droughts, partial or entire; artificial irrigation becomes, therefore, a matter of basic urgency and importance.

Secondly, the country is poor in natural resources, other than soil. Agriculture, animal husbandry and afforestation must, therefore, be brought as rapidly as possible to a condition in which they can play a major part in producing wealth, not only for consumption, but to reduce the country's dependence on imports and to pay for imported end-products which cannot be produced locally.

With this objective a number of measures are necessary in addition to the provision of equipment and of water lifting and spreading projects, e.g., health services to ensure full work capacity to those engaged in these activities, land settlement to ensure security of tenure and to extend farming lands, improvement of techniques by extension services and finally the injection into these industries of a sufficient measure of capital, which is at present one of the gravest defects in the Libyan agrarian economy.

It is in these circumstances that the extensive weight detailed in Appendix A will be found to have been given to proposals to extend and develop these industries with the utmost urgency. Elements will be found under Agriculture, Public Works, Health, Education, etc.

However an economy dependent on primary products is one of minimal profitability and essentially vulnerable, much more so when such primary products are of so limited a range. It is, therefore, of almost equal urgency to establish a range of secondary industry, particularly in regard to processing or partially processing, such primary products as can more suitably be exported in that condition, as well as bye-products of domestic consumption.

For this purpose, power is essential, and its extension and availability at

reasonable economic cost must precede the establishment of such industries. Improved communications are also essential to the speedy and economic movement of commodities and goods. So also is the propagation of skills and techniques.

These considerations are those which have led to the adoption of the proposals set out in Appendix A and in general trms cover the whole programme.

The standard of living in the country generally is low and a rapid improvement must be brought about in the interests of stability and tranquility. But there is also an over-riding issue of the general financial viability of Libya. The country is at present dependent upon grants-in-aid from overseas to balance its recurrent budget. This is a situation which no Government can view within equanimity, however close and warm the friendship and alliances may be. It is of the utmost concern not only to Libya but to the whole free world that means must be found and a programme adopted which will afford reasonable certainty that Libya attains this position within a measurable period of time. It is the opinion of the Libyan Government (and its advisers) that the programme detailed below is the minimum which can be expected to achieve that objective within the terms of existing treaties and agreements. The programme has been analysed in broad terms of offshore purchases and internal labour and material requirements and it is their opinion that provided the funds required are assured and are forthcoming promptly at the time required, the programme is one which is within the capacity of the country. There has not been, nor is there any prospect of, an occasion when development projects have been delayed or held up for lack of local means. Such delays as have been experienced have been invariably of an administrative character.

In short the programme is in the view of the Libyan Government both practicable and essential and its implementation and prosecution is of vital importance and of the utmost urgency.

Following is the summary of the requirements of the programme:

Summary of needs, available funds and short-fall for the five year period 1955/56 - 1959/60

(a) Total needs - £L.42,334,000 - made up as follows:

(i)	Hoped for LARC five year programme (including a £L.2,000,000 loan, and maintenance of projects at 5 per cent during establishment) ...	£L.34,184,000
(ii)	LPDSA existing programme ...	6,175,000
(iii)	Stabilization Fund ...	1,000,000
(iv)	Exceptional Budget ...	975,000
		£L.42,334,000

(b) To meet these needs the total accrued funds available are:

(i) LARC ... ... (including payments already made)	£L.10,000,000
(ii) LPDSA	4,155,000
(iii) Exceptional Budget	975,000
	£L.15,130,000

(c) Leaving a short-fall of finance required of £L.27,204,000 for the five year period.

Expressed in terms of periodic requirements of cash, the need - excluding accrued expectations from LARC (£L.10,000,000), LPDSA (£L.4,155,000) and the Exceptional Budget (£L.975,000) - is as follows:

Immediate	£L
(i) Interest free loan repayable by 20 annual installments ...	2,000,000
(ii) Additional capital for National Bank	250,000
(iii) Second half of initial capital for Agricultural Bank (already earmarked)	500,000
(iv) Stabilization Fund ...	1,000,000
(v) General contribution - 1955/56	4,540,800
	£L.8,290,800
1956/57	
(vi) Additional capital for Agricultural Bank	750,000
(vii) General contribution ...	4,540,800
Thereafter	
(viii) Three annual general contributions of 4,540,800 for 1957/58, 58/59 and 59/60	13,622,400
	£L.27,204,000

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ANNEX "A"

	1955/56 £L(000)	1956/57 £L(000)	1957/58 £L(000)	1958/59 £L(000)	1959/60 £L(000)	TOTAL £L(000)
A. AGRICULTURE, FORESTRY AND FISHERIES.						
1. Livestock Improvements	95	95	70	20	20	300
2. Soil Conservation and Management	95	80	80	70	70	395
3. Afforestation	155	155	145	155	155	765
4. Land Settlement	150	300	600	600	750	2,400
5. Grain Silos (4)	600	290	-	-	-	890
6. Food Processing and Cold Storage	525	625	125	-	-	1,275
7. Training-Agriculture Extension	20	30	30	30	30	140
8. Olive and Fruit Tree Production	30	50	50	50	50	230
9. Veterinary Services	15	55	35	35	35	175
10. Fisheries	5	50	100	100	-	255
11. Co-operatives	20	40	60	60	60	240
12. Land Classification and Survey	10	30	25	5	5	75
TOTAL: AGRICULTURE, FORESTRY AND FISHERIES	1,720	1,800	1,320	1,125	1,175	7,140

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	1955/56 £L(000)	1956/57 £L(000)	1957/58 £L(000)	1958/59 £L(000)	1959/60 £L(000)	TOTAL £L(000)
B. WELLS AND WATER DEVELOPMENT						
1. Test Wells, Under-Ground Water	225	200	-	-	-	425
2. Irrigation Wells	100	200	250	250	275	1,075
3. New Irrigation Systems	200	400	500	500	735	2,335
4. Stock Wells and Cisterns	"	-	-	75	75	150
5. Water Spreading	250	250	250	250	300	1,300
6. Storage Dams	10	10	10	10	10	50
7. Development of Springs	10	50	80	80	80	300
TOTAL: WATER DEVELOPMENT	795	1,110	1,090	1,165	1,475	5,635
C. EDUCATION*						
1. Technical Education	98	-	-	-	-	98
2. Establishment: University	160	10	10	10	10	200
TOTAL: EDUCATION	258	10	10	10	10	298

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		1955/56 £L(000)	1956/57 £L(000)	1957/58 £L(000)	1958/59 £L(000)	1959/60 £L(000)	TOTAL £L(000)
D.	HEALTH						
1.	Ambulatory	43.1	6	6	6	-	61.1
2.	Hospital Facilities (@)	70	-	--	-	-	200
3.	Health Laboratory Facilities	12.5	2	-	-	-	14.5
4.	Trachoma Equipment	30	20	17	16	13	96
5.	Domestic Water (Rural)	100	60	40	-	-	200
6.	Sanitation (Rural)	16	21	15	-	-	52
		271.6	109	78	22	13	623.6

(@) Phasing still to be finally determined.

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		1955/56 £L(000)	1956/57 £L(000)	1957/58 £L(000)	1958/59 £L(000)	1959/60 £L(000)	TOTAL £L(000)
E.	PUBLIC WORKS						
1.	Benghazi Harbour @	-	-	-	-	-	3,500
2.	Subsidiary Harbours @ Cyrenaica	-	-	-	-	-	500
3.	Subsidiary Harbours @ Tripolitania	-	-	-	-	-	500
4.	Coast Road (Surfacing only)	427.5	427.5	427.5	427.5	-	1,710
5.	Coast Road Bridges	10	50	50	50	50	210
6.	South Road @ (Cyrenaica)	-	-	-	-	-	280
7.	Fezzan Road @	-	-	-	-	-	2,800
8.	Suk-el-Juma Highway @	-	-	-	-	-	250
9.	Benghazi Sewerage	-	170	130	50	-	350
10.	Jebel Akhdhar Aqueduct @	-	-	-	-	-	1,250
11.	Tripoli Sewerage @	-	-	-	-	-	500
12.	Desalting water @	-	-	-	-	-	200
							12,050
F.	BANKS						
1.	National Bank Capital	-	-	-	-	-	750
2.	Agricultural Bank Capital	-	-	-	-	-	1,750
					TOTAL BANKS		2,500
G.	TRIPOLITANIA ELECTRIC POWER (£L.2,000,000 to be an interest-free loan)						3,000

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	1955/56 £L(000)	1956/57 £L(000)	1957/58 £L(000)	1958/59 £L(000)	1959/60 £L(000)	TOTAL £L(000)
H. COMMUNICATIONS @						
1. Tripoli-Misurata landline (1955/56; improved H.F radio telephone link Tripoli-Benghazi; telecomms study and report by consultants ("forward scatter").	-	-	-	-	-	125
2. Tripoli telephone exchange purchase and installation	-	-	-	-	-	170
3. Installation of "forward scatter" (rough estimate)	-	-	-	-	-	150
4. Broadcasting project	-	-	-	-	-	300
5. Provision of trunk telephone communications and local exchanges in Tripolitania	-	-	-	-	-	150
6. Provision of trunk telephone communications and local exchanges in Cyrenaica	-	-	-	-	-	150
7. Improvement of main trunk telephone comms towards Tunis	-	-	-	-	-	120
8. - do - Egypt	-	-	-	-	-	120
9. - do - Fezzan	-	-	-	-	-	25
						1,310
@ Phasing still to be finally determined.			GRAND TOTAL			32,556.6

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NATIONAL BANK OF LIBYA

The authorized capital of the Bank is £1,000,000 of which £500,000 has been paid up by funds provided by L.A.R.C.

The expenditure on premises in Tripoli, Benghazi and Sebha, including equipment, furniture, printing and 'waste', stationery, and other formation expenses is closely estimated at £176,000.

Non-interest bearing deposits with other Central Banks and with commercial correspondent banks, not less than £200,000.

In general the banking facilities available in Libya are, owing to the number of branches of foreign banks operating, in excess of the volume of banking business to be transacted. It is impossible therefore to estimate the amount of deposits which may be made with the Bank. At the same time the Bank must be in a position to rediscount 'good' paper held by other banks and to be able to influence credit. It is impossible to be precise but from such calculations as can be made the amount required for this purpose might be not less than £300,000

£676,000

The National Bank must be able to produce accounts which will ensure that in the eyes of the world at large, it is a properly conducted institution with adequate liquid funds. At present, it would not be possible to produce such accounts and accordingly it is a matter of great importance to Libya that the capital should be increased forthwith by at least £250,000.

Although some expenses already incurred will not be repeated in future, other items will constantly arise and one of those is the cost of training Libyan staff abroad. It has been agreed in principle that the National Bank shall act as a training centre not only for it's own employees but for those which will be needed by the Agricultural Bank and by the Commercial Banks of Libya; this is taking the responsible long term view of a very important aspect of the stable economy of Libya.

February, 1956.

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NATIONAL AGRICULTURAL BANK OF LIBYA

Capital expenditure on - premises in	Tripoli (estimated)	£ 25,000
	Benghazi "	20,000
	Sebha ?	
-	furniture, office, board rooms and banking	20,000
-	equipment, machines, calculator, typing, roneoing etc.	18,000
-	transport (6 cars)	7,500
-	stationery, printing forms, passbooks and the like and other formation expenses	10,000
	(say)	£ 100,000

On the basis of one head office and provincial offices in Tripoli, Benghazi and Sebha only, annual overheads and running expenses are calculated at about £70,000 annually.

(If 'local' offices are opened (some 14 were originally envisaged) annual running costs would raise by £3,500 - 4,000 a year for each office initially, on the assumption that an imported Secretary-Treasurer would be needed.)

It might be assumed that (say) £150,000 would be lent during the first year @ (say) 6% (= £9,000)

Gilt edged investment @ 4% to bring in £61,000 (c.c. £70,000 - 9,000) would be 1,525,000.

These two sums, i.e. £150,000 and £1,525,000 together with the £100,000 estimated expenditure on fixed assets amount £1,755,000.

This is the basis for the request for additional capital of £750,000 for the Agricultural Bank.

9.2.56.

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NATIONAL BANK OF LIBYA
Tripoli, Libya

16th February 1956

Your Excellency,

In accordance with Your Excellency's instructions following your exchange of letters with the U. S. Ambassador a committee constituted as follows assembled on 7th February, to re-examine the financial needs of Libya in regard to the development of its economy over the period of the next five years:

Chairman	Dr. Ali Aneizi
Members:	Mr. A. R. Shagluf
	Mr. C. Pitt Hardacre
	Mr. C. J. Pyke
	Dr. Ali Jazairi
	Mr. Marcus Gordon
	Mr. Frederic Lundy
	Mr. Harry L. Spence, Jr.
	Mr. H. E. Caustin
Secretary	Mr. C. P. Bradburne

The Committee held successive meetings up till 16th February during the course of which it had the advantage of advice from the technical advisers of the organizations to which the members are attached.

2. I now have the honour to submit the report of the Committee, in the form of an itemized list of projects in various fields together with a covering memorandum which sets out the basis upon which the Committee approached and carried out its task. The memorandum also indicates that while the report is of general acceptability to all the members of the Committee both as to its scope and balance, the actual implementation of the proposals in detail may well be influenced by the factor inseparable from all medium term planning that modification in particular projects may prove necessary from time to time during the progress of the programme.

3. In submitting the report, it may be opportune to observe that the programme can only be carried out on the financial basis of non lapsing grants, from whatever source these may come.

4. I should also wish in submitting the Committee's report to add a personal observation, which I think may be pertinent.

The tempo of the programme is bound to be affected by the administrative mechanisms employed in connection with it. You may accordingly wish to consider whether the implementation of the programme, assuming funds to be available, would

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not more efficiently be carried out by the utilization of a single operating agency as regards all construction projects envisaged in the programme.

I have the honour to assure Your Excellency of my highest consideration.

(Signed) A.N.ANEIZI

Governor of the National Bank

His Excellency Mustafa ben Halim,
Prime Minister and Minister for Foreign Affairs
of the United Kingdom of Libya.

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UNITED KINGDOM OF LIBYA

OFFICE OF THE PRIME MINISTER

18th February 1956

Dear Mr. Nes,

In the absence of Mr. Ambassador Tappin in Washington, I am writing to you in connection with Libya's financial requirements for economic development.

Following upon the recent exchange of letters on this question between the United States Ambassador and myself, a Committee composed as suggested in my letter of 6th February, held a series of meetings and has now submitted its report.

The report, copies of which I have pleasure in forwarding herewith, is in the form of an itemized list of projects in various fields together with a covering memorandum which sets out the basis upon which the Committee approached and carried out its task.

The Committee was unanimously of the opinion that the programme constituted by these projects, is both realistic and practicable.

To my mind this statement of needs covers the purely essential projects necessary to set Libya on the road to economic viability - there are no frills or "luxuries". Even such matters as low cost housing have not been included. Although very important, they have been left aside lest, possibly, their inclusion should jeopardise our chances of obtaining the full aid required to assure our very existence as an independent state in the society of free nations. Perhaps at some later stage these matters may be given attention.

I feel convinced that this realistic statement of needs will receive the most sympathetic consideration of your President and his Administration. I therefore forward the enclosed report, together with a copy of the letter of transmission from the Chairman of the Committee, with the request that you transmit it urgently to Washington, in the earnest hope that I shall receive an early and favourable response from you.

Sincerely yours,

/S/ BH

(MUSTAPHA BEN HALIM)
PRIME MINISTER

Mr. David G. Nes,
Embassy of the United States of America in Libya,
Tripoli.

cc: Ministry for Foreign Affairs.
Ministry of Finance.

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FINANCING OF SIX YEAR ECONOMIC DEVELOPMENT PROGRAM

April 1, 1955 through March 31, 1961

(In millions of pounds or dollars)

	1955/57	1957/58	1958/59	1959/60	1960/61	TOTAL
Agriculture	£L 1.76	£L 1.75	£L 1.02	£L 0.85	£L 0.90	£L 6.27
Water	0.87	0.64	0.81	0.93	1.04	4.29
Education	0.57	0.43	0.23	0.23	0.23	1.69
Health	0.43	0.54	0.81	0.62	0.34	2.74
Public Works	1.33	1.43	1.76	2.73	2.20	9.45
Banks	2.50	-	-	-	-	2.50
Electric power	1.50	1.10	0.40	-	-	3.00
Communications	0.55	0.38	0.20	0.20	-	1.33
Stabilization Fund	1.00	-	-	-	-	1.00
Initial operating costs	0.28	0.28	0.28	0.28	0.28	1.40
	£L10.79	£L 6.55	£L 5.51	£L 5.84	£L 4.99	£L33.68
LPDSA	1.00	1.00	-	-	-	2.00
	£L11.79	£L 7.55	£L 5.51	£L 5.84	£L 4.99	£L35.68
Eliminated or rephased:						
Stabilization Fund	£L - 1.00	-	-	-	-	- 1.00
Agricultural Bank	- 0.75	/ 0.75	-	-	-	- -
Electric power	- 0.50	- 1.10	- 0.40	-	-	- 2.00
LPDSA	- 1.00	- 1.00	-	-	-	- 2.00
Total	£L -3.25	- 1.35	- 0.40	-	-	- 5.00
Requirement	£L 8.54	£L 6.20	£L 5.11	£L 5.84	£L 4.99	£L30.68
(In dollars)	$23.91	$17.36	$14.31	$16.35	$13.97	$85.90
Resources (certain)						
LARC	16.00	4.00	4.00	4.00	4.00	32.00
DA requirement	$ 7.91 (2 yrs.)	$13.36	$10.31	$12.35	$ 9.97	$53.90
Resources (possible)						
Rephasing Special funds	-	$ 3.0	$ 3.0	$ 3.0	$ 2.0	$11.0
Surplus Commodities	-	2.0	2.0	2.0	2.0	8.0
Italian treaty	-	2.1	2.1	2.1	2.1	8.4
French treaty	-	1.3	1.3	1.3	1.3	5.2
Total	-	$ 8.40	$ 8.40	$ 8.40	$ 7.40	$32.60
DA requirement	$ 7.91 (2 yrs.)	$ 4.96	$ 1.91	$ 3.95	$ 2.57	$21.30

Note:

There is also a virtual certainty that although the agreement under which LPDSA receives contributions from certain countries lapses with the fiscal year 1957/58, the contributions will continue thereafter at approximately the current rate ($2.18 million annually for development purposes) and possibly a higher rate. This financial resource has not been included above in view of the probability that the U. S. Government will not want to make the 1955/58 contribution to LPDSA requested in the program and consequently would not be in a position to insist that LPDSA's possible future resources be counted.

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